



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
OWSLEY COUNTY SHERIFF**

Calendar Year 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OWSLEY COUNTY SHERIFF

Calendar Year 2000

The audit revealed the following comments and recommendations:

- The Sheriff Should Maintain His Receipts And Disbursements In Accordance With The Uniform System Of Accounts
- The Sheriff Should Comply With KRS 64.840 And Issue Receipts For All Fees Collected
- The Sheriff Should Publish The Annual Settlement Within 60 Days After Year End
- The Sheriff's Office Lacks A Proper Segregation Of Duties

The Sheriff received operating revenue from various sources of \$114,277. Expenditures totaled \$115,164. This leaves \$887 due from the Fiscal Court to allow the Sheriff to meet the Sheriff's statutory maximum salary. The Sheriff paid \$4,772 as excess fees during calendar year 2000. Part of this was applied to the 1999 calendar year and the Sheriff has since received the amount to meet his statutory maximum salary for calendar year 2000.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jimmie E. Herald, Owsley County Judge/Executive

Honorable Paul Short, Owsley County Sheriff

Members of the Owsley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Owsley County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jimmie E. Herald, Owsley County Judge/Executive
Honorable Paul Short, Owsley County Sheriff
Members of the Owsley County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff Should Maintain His Receipts And Disbursements In Accordance With The Uniform System Of Accounts
- The Sheriff Should Comply With KRS 64.840 And Issue Receipts For All Fees Collected
- The Sheriff Should Publish The Annual Settlement Within 60 Days After Year End
- The Sheriff's Office Lacks A Proper Segregation Of Duties

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 12, 2001

OWSLEY COUNTY
PAUL SHORT, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

Federal Grants		\$	26,226
State Grants			12,651
State Fees For Services:			
Finance And Administration Cabinet	\$	2,362	
Cabinet For Human Resources		297	
Delinquent Tax		324	2,983
Circuit Court Clerk:			
Sheriff Security Service		2,336	
Fines And Fees Collected		1,850	
Court Ordered Payments		1,566	5,752
Fiscal Court			28,643
County Clerk - Delinquent Taxes			289
Commission On Taxes Collected			25,897
Fees Collected For Services:			
Auto Inspections		1,090	
Accident And Police Reports		112	
Serving Papers		3,410	
Carrying Concealed Deadly Weapon Permits		1,490	
Reimbursement		321	
Miscellaneous		2,234	
Penalty For Delinquent Taxes		3,001	11,658
Interest Earned			178
Gross Receipts		\$	114,277

OWSLEY COUNTY
 PAUL SHORT, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$	26,362	
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Employee Benefits-

Employer's Share Social Security		1,943	
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Employer's Share Retirement		34	
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Employer's Share Retirement		769	\$ 29,108
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Contracted Services-

Advertising		611	
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Vehicle Maintenance and Repairs		4,493	
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Audit		800	5,904
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Materials and Supplies-

Office Materials and Supplies		3,150	
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Uniforms		4,308	7,458
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Auto Expense-

Gasoline			9,404
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Other Charges-

Dues		350	
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Postage		444	
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Insurance		347	
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Bond		655	
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Carrying Concealed Deadly Weapon Permits		731	
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Phone		3,527	
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Other		1,415	
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Tower Rent		350	7,819
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Capital Outlay-

Office Equipment		907	
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Vehicles		2,318	3,225
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Total Disbursements			62,918
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Net Receipts	\$	51,359	
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Less: Statutory Maximum			52,246
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Amount Due From Fiscal Court for Statutory Maximum	\$	(887)	
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The accompanying notes are an integral part of the financial statement.

OWSLEY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

OWSLEY COUNTY
PAUL SHORT, SHERIFF
NOTES TO THE FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits:

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

COMMENTS AND RECOMMENDATIONS

OWSLEY COUNTY
PAUL SHORT, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

INSTANCES OF NONCOMPLIANCE:

1. The Sheriff Should Maintain His Receipts And Disbursements In Accordance With The Uniform System Of Accounts

The Sheriff did not maintain and provide auditors with a receipts ledger and disbursements ledger in accordance with the Uniform System of Accounts. KRS 68.210 requires that an accurate recording of receipts by source and expenditures by payee, and whether or not each official is complying with all other legal requirements relating to the management of public funds by his office, including publication requirements. We recommend the Sheriff comply with KRS 68.210 by maintaining a receipts ledger and disbursements ledger in accordance with the Uniform System of Accounts.

Sheriff's Response:

We agree.

2. The Sheriff Should Comply With KRS 64.840 And Issue Receipts For All Fees Collected

The Sheriff did not issue receipts for all fees collected during calendar year 2000. According to KRS 64.840, all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid. We recommend the Sheriff comply with KRS 64.840 and issue receipts for all fees collected.

Sheriff's Response:

We agree.

3. The Sheriff Should Publish The Annual Settlement Within 60 Days After Year End

The Sheriff did not publish his annual financial statement in accordance with KRS 424.220(6). The financial statement was published 48 days after the deadline. KRS 424.220(6) requires the Sheriff to cause the financial statement to be published within 60 days after the end of the calendar year. We recommend the Sheriff comply with KRS 424.220(6)

Sheriff's Response:

We agree.

OWSLEY COUNTY
PAUL SHORT, SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 2000
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

1. The Sheriff's Office Lacks A Proper Segregation Of Duties

We conclude the internal control structure lacks a proper segregation of duties. There is a limited staff size that prevents adequate division of responsibilities. The Sheriff has statutory authority to assume the role as custodian of monetary assets as well as recorder of transactions and preparer of financial statements. We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations, and by budgetary constraints. Due to a limited staff size, a proper segregation of duties may be impossible.

Sheriff's Response:

We agree.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Members of the Owsley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Owsley County Sheriff as of December 31, 2000, and have issued our report thereon dated June 12, 2001. We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Owsley County Sheriff's financial statement as of December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations:

- The Sheriff Should Maintain His Receipts And Disbursements In Accordance With The Uniform System Of Accounts
- The Sheriff Should Comply With KRS 64.840 And Issue Receipts For All Fees Collected
- The Sheriff Should Publish The Annual Settlement Within 60 Days After Year End

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Owsley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations:

- The Sheriff's Office Lacks A Proper Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 12, 2001

